

**FILED**

SEP 22 1997

SECRETARY, BOARD OF  
OIL, GAS & MINING

BEFORE THE BOARD OF OIL, GAS AND MINING  
DEPARTMENT OF NATURAL RESOURCES  
STATE OF UTAH

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IN THE MATTER OF THE PETITION	:	REPLY OF THE DIVISION OF OIL,
FILED BY THE DIVISION OF OIL,	:	GAS AND MINING TO THE
GAS AND MINING FOR AN ORDER	:	RESPONSE OF WESTERN STATES
REQUIRING IMMEDIATE	:	MINERALS CORPORATION
RECLAMATION OF THE DRUM	:	
MINE, FROM WESTERN STATES	:	DOCKET NO. 97-009
MINERALS CORPORATION AND	:	CAUSE NO. M/027/007
JUMBO MINING COMPANY,	:	
MILLARD COUNTY, UTAH.	:	

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COMES NOW the Division of Oil, Gas and Mining ("Division") and offers its reply.

PRELIMINARY STATEMENT

The Division is bringing an enforcement action against Western States Minerals Corporation ("Western States") to require reclamation of its portion of the Drum Mine. The Division is ordering this reclamation pursuant to its authority under R647-4-117. R647-4-117 states in pertinent part that "[r]eclamation of a large mining operation may be required after five (5) years of continued suspension." It is an undisputed fact that Western States has not engaged in mining at the site since 1988. Western States' sole defense to an order is to assert that a full permit transfer occurred in 1989, and thus the Division has no authority to request it to reclaim the site. Western States' position is contrary to its previous position set forth in pleadings it has submitted to the Division and the Board of Oil, Gas and Mining

("Board"). Its new position has no support in the law. In 1988, the Board approved only a partial permit transfer at the site. Therefore, the Board may order Western States to reclaim the disturbance it has not transferred.

### ARGUMENT

#### I. Western States Has Retained Reclamation Responsibility at the Drum Mine Site After The Partial Permit Transfer Approved By the Board

Contrary to Western States' Statement of Facts (# 2), neither the Board nor the Division has ever approved a full permit transfer from Western States Minerals to Jumbo Mining Company ("JMC"). The Division has always treated the 1988 transfer as a partial permit transfer. For example, in an April 27, 1993 letter the Division stated, "under both statute and rule, the Division cannot recognize a complete permit transfer and transfer of reclamation responsibility, until the permit transfer process is completed and the transferee has posted adequate replacement surety." (EXHIBIT A). Moreover, Western States and JMC knew that only a partial permit transfer had occurred. In a February 22, 1990 letter to the Division, Western States stated, "Western agreed to transfer a portion of the Notice of Intent for the areas that JMC wanted to initially operate." (EXHIBIT B) (emphasis added). In a November 30, 1990 filing before the Division, Western States admitted that heaps in the 42 acre area were "subject to Western States' operating permit and reclamation bond." (EXHIBIT C). Notably, the Division ruled in favor of Western States, because they found that under the partial permit transfer JMC did not have the right to operate on Western States' heaps. Western States may not now take a contrary position. In a July 31, 1995

letter to the Division, Western States wrote, "It is our understanding that the replacement surety necessary for the permit transfer is based upon those portions of the estimate that relate to the original Drum Mine site." (EXHIBIT D). In an August 10 1990, letter from Western States to JMC, Western States rejected a request by JMC to accept reclamation responsibility for more of the mine and stated, "WSMC is willing to consent to the transfer of the permits for high grade seven and low grade heap number 2, but only in the context of a complete permit transfer and release of WSMC's bonds." (EXHIBIT E). Clearly, Western States has always known that a complete Notice of Intention transfer would NOT occur until JMC posted reclamation surety.

However, even if the Division would accept Western States' argument that the conditions contained within the transfer agreement were to be fulfilled after the permit transfer and not prior to the permit transfer, it should not change the outcome of this case. Western States has not fulfilled the requirements of the transfer.

Condition (i) for acceptance of a partial transfer by the Board, required not only the resolution of the top soil issue, but also the question of ultimate reclamation responsibility. As condition (j) of this same document makes clear, "Resolution of the reclamation responsibility question may ultimately require an additional adjustment to the Transferee's reclamation responsibility". (EXHIBIT F). Reclamation responsibility for purposes of the Board can only be resolved when the Division receives a surety from JMC guaranteeing reclamation of Western States' disturbed area. An April 16, 1993 facsimile from Western States seems to recognize that Western States surety would not be released until JMC posted

a replacement surety. The fax stated in pertinent part, "WSMC [Western States] may find some difficulty obtaining a release of its bond if Asoma [D.B.A. JMC] is then unable to replace WSMC's bond with adequate surety of its own." (EXHIBIT G). Certainly, the Division has made it clear that Western States' surety will not be released until JMC provides replacement surety. In an August 15, 1995 letter, the Division stated, "until JMC posts sufficient surety with our office to cover the outstanding Drum Mine reclamation costs, and files the appropriately signed permit transfer documentation, we will not authorize the release or reduction of WSMC's reclamation surety bond." (EXHIBIT H). Additionally, in an October 27, 1995 letter to Western States the Division stated, "[u]ntil JMC posts the adequate reclamation surety and permit transfer occurs [], we are not prepared to release or reduce WSMC's [Western States] \$264,080 surety. (EXHIBIT I).

Thus, contrary to Western States' present assertion, it was well aware that JMC would have to post replacement surety for Western States' bond before Western States' reclamation objections would end.

## II Western States' Interpretation of the Transfer Would Constitute an Illegal Agreement Under Utah Law

Neither the Board nor the Division have the legal authority to enter into an agreement that would allowed for the transfer of a Notice of Intention without the posting of replacement surety. Utah Code Ann. § 40-8-19<sup>1</sup> governs the Transfer of a Notice of

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<sup>1</sup> § 40-8-19 states:

When ever an operator succeeds to the interest of another operator who holds an approved notice of intention or revision covering a mining operation, by sale, assignment, lease, or other means, the division may release the first



Intention. Utah Code Ann. § 40-8-19 (1993 ). § 40-8-19 requires the posting of surety prior to the transfer of a Notice of Intention. Id.

At the time the Board approved the partial permit transfer both it and the parties before it were governed by § 40-8-19. Thus, the parties could not have entered into a contract which allows for a Notice of Intention transfer prior to the posting of replacement surety. Any contract that attempted to do so would be void. If the contract is void, Western States attempt to transfer even a portion of the reclamation responsibility for the mine site would fail. However, the record reflects that the parties and the Division have always been awaiting the posting of the entire surety prior to the transfer of the remainder of the Notice of Intention.

In sum, in 1988, the Division and the Board approved a partial permit transfer of the Drum Mine from Western States to JMC. All the parties were aware that a full transfer could not occur until JMC posted replacement surety. Consequently, Western States has a continued obligation to comply with the Mined Land Reclamation legislation and the Board's rules. Western States has not mined since 1988, nor does it claim an intent to ever return to mining, therefore, the Board has the authority to require reclamation under R647-4-117.

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operator from his responsibilities under his approved notice of intention, including surety, provided the successor assumes all of the duties of the former operator, to the satisfaction of the division, under this approved notice of intention, including its then approved reclamation plan and the **posting of surety**. Upon the satisfactory assumption of such responsibilities by the successor operator, under conditions approved by the Division, the approved notice of intention shall be transferred to the successor operator. (emphasis added).

DATED this 19th day of September, 1997.

By Daniel G. Moquin

Daniel G. Moquin  
Assistant Attorney General  
1594 West North Temple, Suite 300  
P.O. Box 140855  
Salt Lake City, UT 84114-0855  
Telephone: (801) 538-7227

CERTIFICATE OF SERVICE

I hereby certify that I mailed, postage prepaid, a true and correct copy of the foregoing REPLY OF THE DIVISION OF OIL, GAS AND MINING TO THE RESPONSE OF WESTERN STATES MINERALS CORPORATION for Docket No. 97-009 this 22nd day of September 1997, to the following:

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& McCARTHY  
Attorney for Western States Minerals Corp.  
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HOLLAND & HART LLP  
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Attorney for the  
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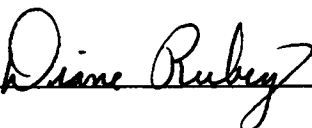
Ronald Teseneer  
Sherri Wysong  
Fillmore District Office  
Bureau of Land Management  
35 East 500 North  
Fillmore, UT 84631

David Rupp  
Division of Water Quality  
Department of Environmental Quality  
288 North 1460 West  
Salt Lake City, UT 84116

HAND DELIVERED TO:

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Attorney for the  
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# State of Utah

DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

A

Michael O. Leavitt  
Governor  
Ted Stewart  
Executive Director  
James W. Carter  
Division Director

355 West North Temple  
3 Triad Center, Suite 350  
Salt Lake City, Utah 84180-1203  
801-538-5340  
801-359-3940 (Fax)  
801-538-5319 (TDD)

April 27, 1993

Mr. Stephen D. Alferts, Esq.  
Morrison & Foerster  
5200 Republic Plaza  
370 17th Street  
Denver, Colorado 80202-5638

Dear Mr. Alferts:

Re: Reclamation Surety Concerns, Jumbo Mining Company/Asoma Inc., Drum Mine, M/027/007, Millard County, Utah

Thank you for your most recent letter dated April 16, 1993, provided on behalf of your client, Western States Minerals Corporation (WSMC). Your letter expressed WSMC's increased concern that Asoma (Utah ), Inc., present owner of the Drum Mine, may have insufficient resources with which to bond for continued operations at the Drum Mine.

It is WSMC's opinion that the final outcome of litigation between WSMC and Asoma in the Colorado District Court will be in WSMC's favor. If this occurs, WSMC believes that Asoma will not be able to provide sufficient surety to secure full reclamation responsibility for all outstanding disturbed areas at the Drum Mine. Your letter requests that we take immediate action requiring Asoma to post supplemental surety to cover projected reclamation costs for the residual disturbed acreage currently secured by WSMC's reclamation surety.

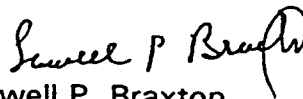
We appreciate WSMC's concern in this matter. However, under both statute and rule, the Division cannot recognize a complete permit transfer and transfer of reclamation responsibility, until the permit transfer process is completed and the transferee has posted adequate replacement surety. Therefore, it is the Division's position at this time, that WSMC's liability remains until such time as ASOMA posts sufficient replacement surety for the entire disturbed area within the permit. The Division has no independent authority to require ASOMA to complete the permit transfer.



Page 2  
Mr. Stephen D. Alfors, Esq.  
M/027/007  
April 27, 1993

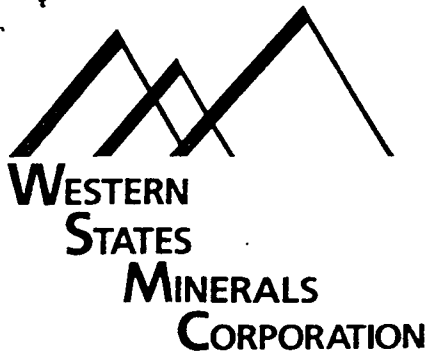
It would seem that WSMC's remedy is its pending specific performance action in Colorado District Court. However, since the Division is not a party to that litigation, the outcome of this litigation will not resolve the Division's concerns and need for adequate replacement surety from ASOMA, before it is able to release WSMC's bond. Thank you for your continued cooperation and understanding in this regard.

Sincerely,



Lowell P. Braxton  
Associate Director, Mining

jb  
cc: Ed King, JMC/Asoma  
Dave Hartshorn, Drum Mine  
Rex Rowley, BLM, Warm Springs RA  
James Carter, DOGM  
Tom Mitchell, AAG  
M027007.sur



RECEIVED  
FEB 26 1990

DIVISION OF  
OIL, GAS & MINING

DOGM  
MINERALS PROGRAM  
FILE COPY

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February 22, 1990

Mr. Wayne Hedberg  
Utah Division of Oil, Gas & Mining  
355 West North Temple  
3 Triad Center, Suite 350  
Salt Lake City, UT 84180-1203

Dear Mr. Hedberg:

Subject: Drum Mine, M/027/007

As you are aware, Western States Minerals Corporation (WSMC) and Jumbo Mining Company (JMC) continue to negotiate with regard to reclamation responsibilities at the Drum Mine. After reviewing the Division of Oil, Gas and Mining's (DOGM) files last week, it became apparent that a number of assumptions have been made in the meantime regarding the Drum Mine with which WSMC is not in total agreement. Since the matter has been dragging on for a long time, we believe that it is important that both the state and the B.L.M. be made aware of our concerns. These concerns are itemized below.

1. The contract between WSMC and JMC required JMC to assume<sup>89</sup>/all permits. To date, this has not occurred. In July, 1990 WSMC agreed to transfer a portion of the Notice of Intent for the areas that JMC wanted to initially operate. At that time, JMC bonded for approximately 84 of the 126 disturbed acres.

In December, 1989, JMC notified both you and the Bureau of Water Pollution Control that they were sprinkling the No. 7 pad and were working on the No. 2 low grade pad. These areas are within the 42 acres permitted and bonded by WSMC. We, therefore, object to JMC doing any work in these areas until such time that the remainder of the Notice of Intent is transferred and JMC posts a reclamation bond for these areas.

2. In DOGM's letter of April 7, 1989, to WSMC you stated that we had stockpiled only 2000 cubic yards of topsoil and were responsible for a topsoil deficit of 54,200 cubic yards. You also state that WSMC had previously committed to implementing revegetation test plots.

We have no record of committing to the installation of revegetation test plots. Our 1983 NOI stated that we would not install test plots. If DOGM required these tests, we should have been notified accordingly.

The total of 56,200 cubic yards of topsoil which was to be stripped and stockpiled was for a disturbed area of 144 acres. Since only 126 acres have been disturbed, the amount of soil to be stockpiled should have been reduced proportionately to 49,200 cubic yards. We also believe that your visual estimate of 2,000 cubic yards of salvaged topsoil is on the low side. The stockpile has nominal dimensions of 200 feet by 90 feet by 12 feet which is approximately 8,000 cubic yards.

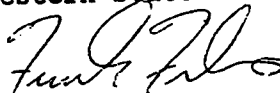
3. In your June 2, 1989 memo to file, you state that the BLM and DOGM agree that WSMC is responsible for the reclamation of any mine site areas not subsequently used by JMC. This may serve well as a temporary measuring stick, but it is important that you realize that the reclamation responsibilities have to eventually be determined according to our sales contract with JMC. If WSMC and JMC cannot agree on what the contract says, then it will have to be settled in court.
4. The reclamation bond that JMC posted for the 84 acres of disturbance does not include any monies for spreading and amending the topsoil. Ordinarily we would not care how you choose to bond another mining company, but in this case JMC has inferred that they should only be responsible for a revegetation cost of \$175/acre. They have proposed that WSMC should pick up any costs greater than this amount. As you are aware, revegetation costs normally average between \$600 to \$1,200 per acre if you include topsoiling, seed bed preparation, soil amendments and seeding. The approved reclamation plan calls for all of these items and in our opinion they should be included in the bond amount until such time that the revegetation plan is amended.

We apologize for the awkward position that your agency has been put in with regard to the Drum Mine. In general, we believe that you have handled the permit transfer fairly and in a professional manner. Of the four items listed above, only Item 1 is of immediate concern to us. The remaining items can probably be best addressed after WSMC and JMC have reached agreement on reclamation responsibilities.

We have followed up on Holland Shepherd's soil sampling recommendations. These samples are currently being analyzed. We will forward the results of the analysis to you, the BLM and JMC in approximately five weeks. Your assistance in developing an alternative revegetation plan for the Drum Mine site is much appreciated.

Sincerely,

Western States Minerals Corporation



Frank Filas  
Environmental Engineer

cc: A. Cerny, A.S. Gordon - WSMC  
Ed King - Jumbo Mining Company  
Phil Allard - BLM  
M. Croft - Bureau of Water Pollution Control



C

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Attorneys for Western States  
Minerals Corporation

BEFORE THE DIVISION OF OIL, GAS AND MINING,  
DEPARTMENT OF NATURAL RESOURCES  
STATE OF UTAH

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IN THE MATTER OF THE REQUEST )	ADDENDUM TO WESTERN STATES'
FOR AGENCY ACTION AS FILED BY )	OBJECTION TO PETITION FOR
JUMBO MINING COMPANY, DRUM )	COMMENCEMENT OF INFORMAL
MINE, MILLARD COUNTY, UTAH )	PROCEEDINGS
)	
)	Cause No. M/027/007

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Western States Minerals Corporation ("Western States")  
offers this addendum to its earlier Objection to Petition for  
Commencement of Informal Proceedings.

By conference call on November 19, 1990, the Director  
decided that two issues would be addressed in this hearing in the  
above-captioned cause: first, whether the so-called "test" leach  
proposed by Petitioner, Jumbo Mining Co. ("Jumbo"), constitutes  
mining activity; and second, whether the Division's staff acted  
properly in making the determination that the proposed leach did

in fact constitute mining activity.<sup>1/</sup> In the conference call, the parties acknowledged: (a) that the two heaps at issue (HG7 and LG2), are subject to Western States' operating permit and reclamation bond; and (b) that Western States had not given Jumbo permission to operate HG7 and LG2.

In light of the Division's regulations, the staff was completely justified in its conclusion that Jumbo's proposed actions constituted mining operations and furthermore, Western States would be prejudiced by Jumbo's proposed operations.

I. DOGM's regulations demonstrate that Jumbo's proposed actions are "mining operations."

Jumbo proposes to operate heaps HG7 and LG2 for 60 days. During those operations, gold will be extracted from the heaps. In asking for Division approval, Jumbo explained to the Division that it would apply a cyanide solution to the heaps at issue and recover gold from its proposed operations. In a May 30, 1990, letter to Lowell Braxton from E. B. King on behalf of Jumbo, Jumbo made the following representation to the Division:

I should also make it clear that any gold which might be recovered as a result of this test is: a) unavoidable, in that there is no practical way to conduct the test, other than

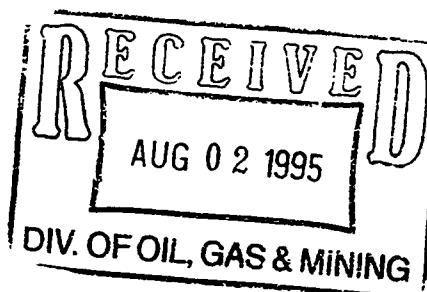
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<sup>1/</sup> Western States believes that in light of the partial permit transfer last summer, Jumbo has no right to conduct its proposed "test" irrespective of the Board's decision on these two issues.



**WESTERN  
STATES  
MINERALS  
CORPORATION**

July 31, 1995



Mr. D. Wayne Hedburg, Permit Supervisor  
State of Utah, Division of Oil, Gas and Mining  
355 West North Temple  
3 Triad Center, Site 350  
Salt Lake City, Utah 84180-1203

Re: Drum Mine, Millard County, Utah  
Permit Transfer, ACT/027/007

Dear Mr. Hedburg:

With reference to Lowell Braxton's July 10, 1995 letter to Jumbo Mining Company, please be advised that Western States Minerals Corporation ("WSMC") is prepared to cooperate in the remaining permit transfer process as discussed on Page 3 of that letter.

It is our understanding that the replacement surety necessary for the permit transfer is based upon those portions of the estimate that relate to the original Drum Mine site. Consistent with the Order of the Colorado Court that transfer should be accomplished forthwith, the amounts estimated for "Jumbo-Alto/Keystone/Monarch/Ibex" and "Jumbo-Mizpah Pit and New Heap" are irrelevant to the referenced permit transfer and can be negotiated after the transfer is accomplished.

Based upon Mr. Braxton's letter, it is our understanding that the amount of the surety required to accomplish the remaining permit transfer is determined in the following manner:

DOGM Current Estimate

WSMC's Portion of Original Entire Site	\$ 124,700
Jumbo's Portion of Entire Site	<u>168,600</u>
Total Original Entire Site	\$ 293,300

Jumbo Surety Already Posted

Jumbo surety already in place applicable to original site (to WSMC's knowledge):	<u>143,000</u>
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ADDITIONAL REQUIRED FOR REMAINING PERMIT TRANSFER	\$ 150,300
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DOGM, July 31, 1995  
Page 2

Attached is an analysis of the DOGM estimate for the original Drum Mine site compared to the proposed reclamation surety that Mr. King offered in his letter to DOGM dated February 8, 1995. In that letter, Mr. King offered to post an additional \$89,000 to bond those portions of the Drum Mine site remaining to be transferred from WSMC to Jumbo Mining Company. This amount is in addition to the \$143,000 already posted, and Mr. King specifically recognized in his letter that his proposed bond would necessarily be subject to inflation, consistent with DOGM policies, thus increasing the total amount of his offer.

When Mr. King's proposed total bond is inflated to the year 2000, consistent with the DOGM estimate, the total amount of the bond which Mr. King has already offered to post is \$273,005. This amount is only \$20,295 less than the DOGM estimate of the total reclamation bond necessary for the original Drum Mine site.

X  
Thus, it is apparent that no substantial difference exists between the reclamation bond proposed by DOGM for the original Drum Mine site and the amount that Mr. King has already offered to post. Therefore, WSMC demands that DOGM require Jumbo to post immediately an additional \$150,300, so that the remainder of the permit can be promptly transferred. There is no reason for further delay. It is obvious that DOGM's estimate is reasonable, and tracks Mr. King's previous offer very closely. Please advise us when we can expect the balance of the permit to be transferred.

Sincerely,

  
Allan R. Cerny  
Secretary

Certified Mail No. Z 271 349 236  
Return Receipt Requested

cc: Lowell P. Braxton  
Lee Foreman  
Mike Keller

# COMPARISON OF DRUM RECLAMATION/SURETY AMOUNTS

JUMBO'S PROPOSAL LETTER OF FEBRUARY 8, 1995  
VS.

DOGM LETTER OF JULY 10, 1995

## JUMBO'S PROPOSAL OF FEB. 8, 1985

1. TOPSOIL  
55,000 YD, "harvest and spread" at a cost of  
something less than \$0.50 per yd.  
( 1995 Dollars ) \$ 25,000

2. DOGM estimate of May 22, 1989  
( inflated five years at that time to 1994 Dollars ) 64,000

Total Additional to existing JUMBO bond 89,000

3. Existing JUMBO bond  
( also based on 1989 est. inflated to 1994 Dollars ) 143,000

Total Proposed Drum Bond \$ 231,000

Inflate to Year 2000 to be consistent with DOGM:

25,000 X (1.028) (to the 5th power)	\$ 28,702
64,000 X (1.028) (to the 6th power)	75,533
143,000 X (1.028) (to the 6th power)	<u>168,770</u>

Total ( Year 2000 Dollars ) \$ 273,005

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DOGM 7/10/95 Estimate:

WSMC'S PORTION OF ORIGINAL ENTIRE SITE	\$ 124,700
JUMBO'S PORTION OF ENTIRE SITE	<u>168,600</u>

Total ( Year 2000 Dollars ) \$ 293,300

-----  
Difference (DOGM vs. Jumbo on Year 2000 Basis) \$+ 20,295  
-----



## DAVIS, GRAHAM &amp; STUBBS

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SALT LAKE CITY, UTAH 84111-0088  
TELEPHONE 801-328-8000

STEPHEN D. ALFERS  
802-7308

August 10, 1990

BY TELECOPY

Steven E. Clyde, Esq.  
Clyde, Pratt & Snow  
200 American Savings Plaza  
77 West Second South  
Salt Lake City, UT

Re: The Drum Mine

Dear Mr. Clyde:

We have received your letter of July 26, 1990 regarding assumption by Jumbo Mining of reclamation responsibility for two more of the heaps in the Drum Project. WSMC also has received copies of the transfer forms requesting WSMC's consent.

WSMC has considered Jumbo's request. Jumbo's request would make Jumbo responsible for a total of seven of the ten heaps in the project, leaving WSMC responsible for the remainder. WSMC is willing to consent to the transfer of the permits for high grade heap number seven and low grade heap number 2, but only in the context of a complete permit transfer and release of WSMC's bonds.

Piecemeal transfer of permits is not acceptable for two reasons. First, piecemeal transfer was not contemplated by the agreement between the parties. Second, it is simply not workable. As just one example, under Jumbo's most recent request, Jumbo takes on responsibility for high grade heap number seven, but WSMC apparently is left with responsibility for reclaiming the waste dump which lies underneath it.

As you know, WSMC believes that it sold the Drum Project "whereas-as is," and it has insisted that Jumbo take on all reclamation as contemplated in the purchase and sale agreement. WSMC now invites a proposal from Jumbo under which Jumbo accepts full reclamation responsibility for the entire Drum Project.

Earlier this year Jumbo and WSMC were discussing a settlement of this dispute which contemplated WSMC retaining

DO NOT  
MINERALS PROJECT  
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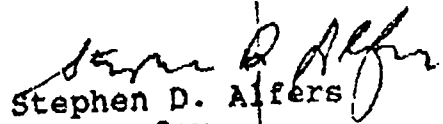
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Steven E. Clyde, Esq.  
August 10, 1990  
Page 2

responsibility for the "top soil issue." As you will no doubt recall, WSMC considered taking on the top soil issue. It did so in the spirit of compromise, because it believed that the top soil problem came to Jumbo's attention after closing. However, WSMC has recently learned that the Department of Oil, Gas and Minerals notified Jumbo of the top soil problem in July of 1988, well before closing of the sale of the Drum Project. Jumbo knew about the top soil issue before WSMC knew about it, and closed the deal notwithstanding the reclamation obligations. Accordingly, WSMC believes that Jumbo's next settlement proposal should contemplate Jumbo assuming all the reclamation obligations associated with the Drum Project.

We look forward to hearing from you.

Very truly yours,

  
Stephen D. Alfors  
for  
DAVIS, GRAHAM & STUBBS

SDA:meh

For i on Use:  
File No.: \_\_\_\_\_  
Effective Date: \_\_\_\_\_  
DOGM Lead: \_\_\_\_\_

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING  
355 West North Temple  
3 Triad Center, Suite 350  
Salt Lake City, Utah 84180-1203  
(801) 538-5340

**RECEIVED**  
JUL 11 1989

TRANSFER OF NOTICE OF INTENTION  
LARGE MINING OPERATIONS

DIVISION OF  
OIL, GAS & MINING

---00000---

1. (a) Notice of intention to be transferred (file number): M/027/007  
(b) Name of mining operation: Drum Mine  
(c) Location of mining operation (county): Millard, Juab  
(d) Name, telephone number and mailing address of the operator currently holding the notice of intention (transferor):  
Western States Minerals Corporation  
4975 Van Gordon Street  
Wheatridge, Colorado 80033
2. (a) Name, telephone number and mailing address of the operator acquiring the notice of intention (transferee):  
Jumbo Mining Company  
6305 Fern Spring Cove  
Austin, Texas 78730 512- 346-4537  
(b) Name, telephone number and address of the authorized representatives of the Transferee to whom any notices under the provisions of the Utah Mined Land Reclamation Act may be sent:  
Same as above Mr. E.B. King
3. (a) The total disturbed area identified in the approved notice of intention: 143.7 acres original; 126 revised acres  
(b) The actual number of acres disturbed by the operation through date of transfer: 126 acres  
(c) Attach a legal description of above acreages as Appendix "A" and a map of suitable scale with actual disturbed areas clearly shown and identified.
4. This application must be accompanied by a fully executed and signed Reclamation Contract (Form MR-RC).



SWORN STATEMENT OF TRANSFEROR

I, ALLAN R. CERNY being first duly sworn under  
oath, deposes and says that I am SECRETARY  
WESTERN STATES (officer or agent)  
of MINERALS CORPORATION; and that I am duly authorized to  
(Corporation/Company Name)  
execute and deliver the foregoing obligations; that I have read  
the said application and fully know the contents thereof; that  
all statements contained in the transfer application are true  
and correct to the best of my knowledge and belief based upon  
the attached map and calculations forwarded to me by E. B.  
King of Jumbo Mining Company. By execution of this statement  
I certify that the Transferor is in full compliance with the  
Utah Mined Land Reclamation Act, the Rules and Regulations  
Promulgated thereunder, and the terms and conditions of Notice  
of Intention No. M/027/007.

Western States Minerals Corporation hereby makes no  
representation in regard to the allocation of responsibility  
for reclamation as between Western States Minerals Corporation  
and Jumbo Mining Company.

Allan R Cerny  
Signature  
ALLAN R. CERNY  
Name (Typed or Print)  
SECRETARY - WSMC  
Title

Subscribed and sworn before me this 6 day of July,  
1989.

Jean Riffel  
Notary Public

My commission expires:  
August 2, 1991.

State of Colorado )  
County of Jefferson ) ss.

FINAL SWORN STATEMENT OF TRANSFEREE

E.B. King being first duly sworn under oath,  
depose and say that I am President  
(officer or agent)  
of Jumbo Mining Company; and that I am duly authorized to  
(Corporation/Company Name)

execute and deliver the foregoing obligations; that I have read the  
application and fully understand the contents thereof; that all statements  
contained in the transfer application are true and correct to the best of my  
knowledge and belief. By execution of this statement, the Transferee agrees  
to be bound by the terms and conditions of Notice of Intention


No. M/027/007, the Utah Mined Land Reclamation Act, and the Rules and  
Regulations promulgated thereunder. *\*Except for those issues  
of which the Division, the Dept. of Health and Transfer are on notice.*

  
Signature

Name (Typed or Print) E.B. King

Title President

Subscribed and sworn before me this 10th day of July, 19 89.

  
Notary Public

My commission Expires:

February 10, 19 90.

State of Utah )  
County of Salt Lake ) ss.



CERTIFICATION OF APPROVAL

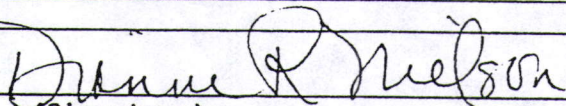
This is to certify that I have examined the foregoing application and do hereby grant the same, subject to the following limitations and conditions:

- (a) This transfer of notice of intention grants only the right to affect the lands described in Appendix "A".
- (b) The transferee has provided to the Division a fully executed and signed Reclamation Contract (Form MR-RC). The surety shall be effective on the date of transfer.
- (c) The transferee, or such other person as required by UCA 1953, Title 40-8, has acquired legal right to mine for lands described in Appendix "A".

COMMENTS:

Additional Conditions of Transfer - See Attachment 1

APPROVED:

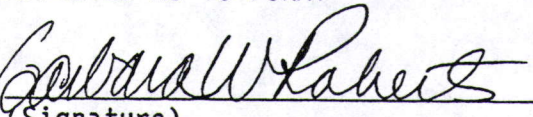
  
(Signature)

Director, Division of Oil, Gas and Mining

Effective Date:  
NOI No.:

8/4/89  
M/027/007

APPROVED AS TO FORM:

  
(Signature)

Assistant Attorney General

MN9/45-48

## **ATTACHMENT 1**

### **Transfer of Notice of Intention No. M/027/007 Certification of Approval Conditions of Transfer**

**July 25, 1989**

#### **Conditions of Transfer (continued)**

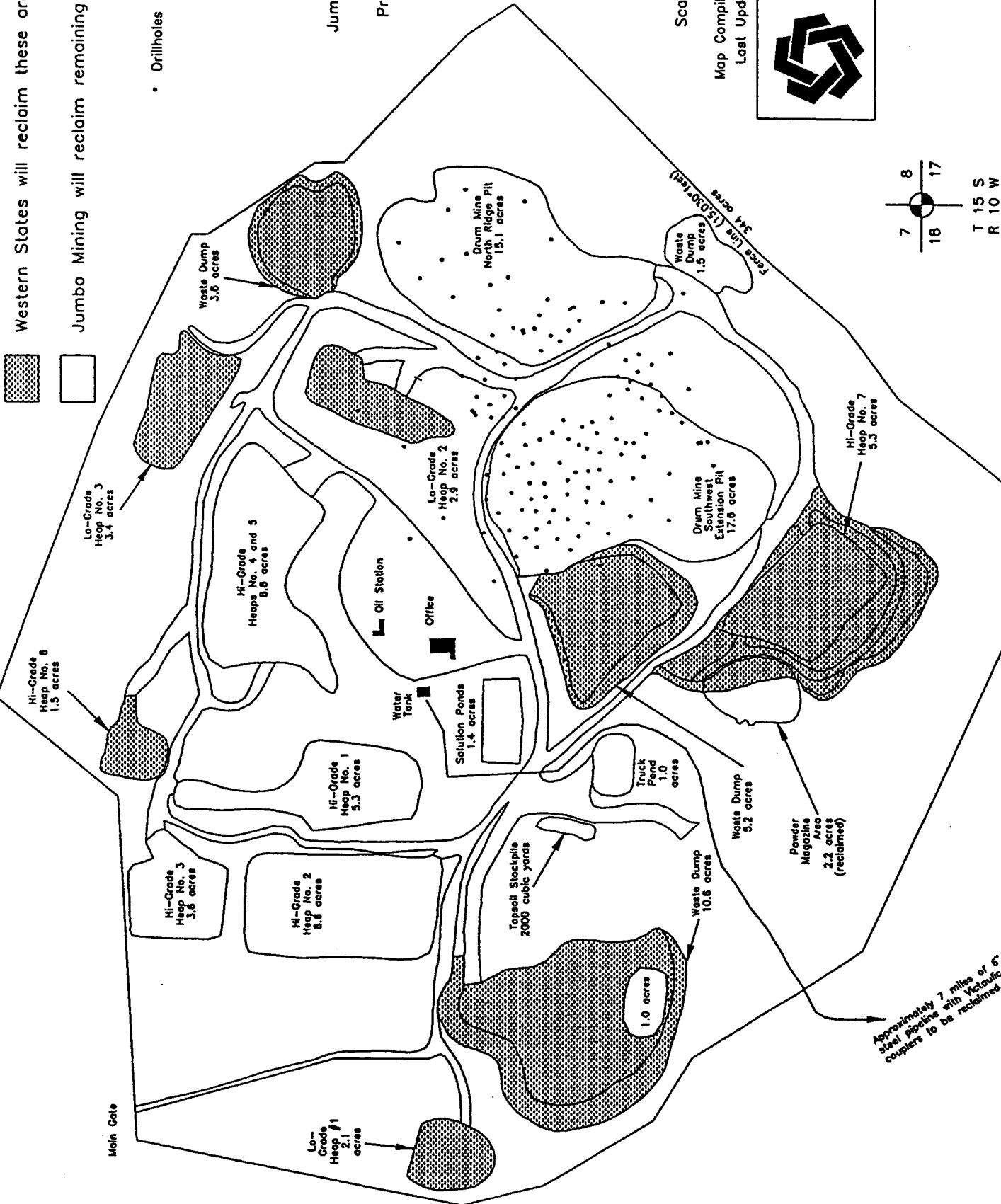
- (d) The Division will continue to hold the Transferor responsible for the reclamation of approximately 42 acres of existing Drum Mine surface disturbance, as delineated in Appendix A.**
- (e) The Division will hold the Transferee responsible for the reclamation of approximately 84 acres of existing Drum Mine surface disturbance, as delineated in Appendix A.**
- (f) The Transferor will retain responsibility for resolving the topsoil deficiency issue.**
- (g) The Transferee's 84 acre Drum Mine reclamation responsibility includes posting a reclamation surety of \$143,000, based on reclamation calculations from Appendix A information.**
- (h) An additional 11 acres of surface disturbance will be approved as an amendment to the Drum Mine permit. The Transferee will provide an additional \$19,000 reclamation surety amount for the proposed amendment (Drum Mountain Project).**
- (i) The Division will retain possession of the Transferor's \$264,080 reclamation surety bond, until the topsoil deficiency issue and the question of ultimate Drum Mine reclamation responsibility between the Transferor and Transferee is resolved.**
- (j) Resolution of the reclamation responsibility question may ultimately require an additional adjustment to the Transferee's reclamation surety amount.**

**jb  
MN3/52**

# APPENDIX "A"

Western States will reclaim these areas (41.8 acres).

Jumbo Mining will reclaim remaining areas (83.9 acres).



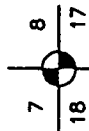
Scale: 1" = 600'

Map Compiled December 5, 1988

Last Update: July 26, 1989



State of Utah  
Department of Natural Resources  
Division of Oil, Gas and Mining



T 15 S  
R 10 W

Approximately 7 miles of 6" steel pipeline with Victrolite couplers to be reclaimed.



# State of Utah

DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Norman H. Bangerter

Governor

Dee C. Hansen

Executive Director

Dianne R. Nielson, Ph.D.

Division Director

355 West North Temple

3 Triad Center, Suite 350

Salt Lake City, Utah 84180-1203

801-538-5340

July 26, 1989

TO: Board of Oil, Gas and Mining

THRU: Lowell P. Braxton, Associate Director, Mining *LB*

FROM: D. Wayne Hedberg, Senior Reclamation Specialist/Hydrologist *DWH*

RE: Request for Board Concurrence, Amount and Form of Reclamation Surety,  
Drum Mine, Jumbo Mining Company, M/027/007, Millard County, Utah

The Division seeks the Board's concurrence on the amount and form of reclamation surety to be provided by Jumbo Mining Company (Jumbo) for continued operations at the Drum Mine located in Millard and Juab Counties, Utah. Attached for your reference, is a copy of the executive summary for the original Drum Mine permit application.

On November 17, 1983, the Board approved the amount and form of reclamation surety filed by Western States Minerals Corporation (WSMC). Jumbo has recently purchased the Drum Mine property from WSMC. A revised reclamation surety estimate of \$143,000 (in 1994 dollars) has been calculated by the Division to reclaim portions of this minesite. The revised reclamation surety includes the projected reclamation costs (\$19,000) for an additional 11-acre disturbance associated with a recent permit amendment filed by Jumbo (Drum Mountain Project). A total reclamation surety of \$162,000 will be posted by Jumbo for continued operations at the Drum Mine and to initiate mining on the new Drum Mountain Project.

The proposed form of surety will be United States Treasury Bills which will be held in the name of the State of Utah, Division of Oil, Gas and Mining, and the U.S. Department of the Interior, Bureau of Land Management. Securities transactions will be handled by and processed through the Utah State Treasurer's office.

Also attached are copies of the updated reclamation surety estimate, the Reclamation Contract (Form MR-RC), and the amount and form of reclamation surety. A copy of Jumbo's reclamation surety "Pledge Plan" is attached for your review. A copy of the revised permit transfer form (Form MR-TRL), with conditions, has been provided for your information. The Division is presently working to complete the permit transfer between WSMC and Jumbo.

Thank you for your time and consideration of this formal request for acceptance of the amount and form of reclamation surety.

jb  
Attachments  
MN2/36

# Reclamation Estimate for JUMBO MINING COMPANY M/027/007

Prepared By  
Utah State Division of Oil, Gas and Mining  
April 4, 1989 Revised 7-26-89

Description	Quantity	Total Unit	\$/Unit	Cost (\$)
<b>Drum Mine Pit and Decline Reclamation</b>				
Remove Trash		Lump Sum		2,000
Construct Berms Along Highwalls	1,200	Linear Feet	4.70	5,640
Construct Seal 100' Inside Portal	5	Portals	1,000	5,000
Backfill Portal	2,000	Cubic Yards	0.60	1,200
Rip Roadways in Pits	12.0	Acres	150	1,800
Revegetate *	12.0	Acres	175	2,100
Subtotal				17,740
<b>Heap Leach Pad Reclamation</b>				
Decommission Heap Leach Pads	29.4	Acres	490	14,300
Remove Trash	29.4	Acres	100	2,940
Grade to a 3h:1v Slope	29.4	Acres	800	23,520
Haul and Spread Topsoil	2,000	Cubic Yards	0.63	1,260
Revegetate *	29.4	Acres	175	5,150
Subtotal				47,170
<b>Drum Mine Waste Dumps Reclamation</b>				
Remove Trash	2.5	Acres	100	250
Grade to a 3h:1v Slope	2.5	Acres	800	2,000
Revegetate *	2.5	Acres	175	440
Subtotal				2,690
<b>Facilities Reclamation</b>				
Demolish and Dispose of Buildings	5,000	Square Feet	2.90	14,500
Remove Fenceline	15,030	Linear Feet	1.25	18,790
Remove 6" Pipeline	38,000	Linear Feet	0	0
Plug Drill Holes	30	Each	100	3,000
Remove Trash	40.0	Acres	100	4,000
Rip Roads	23.3	Acres	150	3,500
Revegetate *	40.0	Acres	175	7,000
Subtotal				50,790
Totals				118,390
Add Contingency (10%)				11,840
TOTAL RECLAMATION COST (1989 Dollars)	83.9	Acres	1,550	130,230
TOTAL RECLAMATION COST (1994 Dollars) @ 1.93% Annual Inflation	83.9	Acres	1,700	143,000

# Reclamation Estimate for JUMBO MINING COMPANY M/027/007

Prepared By  
Utah State Division of Oil, Gas and Mining  
April 4, 1989      Revised 7-26-89  
(Continued)

## Cost Parameters Used

621B Scraper (O&O)	150	\$/hour
Production	240	Cubic Yards/hour
D-8 Dozer (O&O)	160	\$/hour
Production	300	LCY/hour
Speed w/ripper	1	mph
Labor Only	24	\$/hour
Trash Removal	100	\$/acre
Farm Tractor (O&O)	67	\$/hour
Speed	4	mph
Width of Pass	6	feet

Revegetation Cost per Acre	Quantity	Unit	\$/Unit	Total Cost (\$)
Bare Costs				
Seed Mix	19	Pounds	7.37	140
Application Costs				
Seed Mix (broadcast by hand)	0.5	Hours	24	12
Scarify (tractor with chain)	0.3	Hours	67	23
Subtotal				35
Total Revegetation Cost per Acre				175



# Reclamation Estimate for JUMBO MINING COMPANY M/027/007

Prepared By  
Utah State Division of Oil, Gas and Mining  
May 22, 1989

Description	Unit	\$/Unit	Jumbo Mining Company		Western States Minerals Corporation		Grand Totals	
			Quantity	Cost (\$)	Quantity	Cost (\$)	Quantity	Cost (\$)
Drum Mine Pit and Decline Reclamation								
Remove Trash	Lump Sum			2,000	0			2,000
Construct Berms Along Highwalls	Linear Feet	4.70	1,200	5,640	0		1,200	5,640
Construct Seal 100' Inside Portal	Portals	1,000	5	5,000	0		5	5,000
Backfill Portal	Cubic Yards	0.60	2,000	1,200	0		2,000	1,200
Rip Roadways in Pits	Acres	150	12.0	1,800	0		12	1,800
Revegetate *	Acres	175	12.0	2,100	0		12	2,100
Subtotal				17,740		0		17,740
Heap Leach Pad Reclamation								
Decommission Heap Leach Pads	Acres	490	29.4	14,300	16.3	7,990	45.7	22,290
Remove Trash	Acres	100	29.4	2,940	16.3	1,630	45.7	4,570
Grade to a 3h:1v Slope	Acres	800	29.4	23,520	16.3	13,040	45.7	36,560
Haul and Spread Topsoil	Cubic Yards	0.63	2,000	1,260	(a)	(a)	(a)	1,260
Revegetate *	Acres	175	29.4	5,150	16.3	2,850	45.7	8,000
Subtotal				47,170		25,510		72,680
Drum Mine Waste Dumps Reclamation								
Remove Trash	Acres	100	2.5	250	25.5	2,550	28.0	2,800
Grade to a 3h:1v Slope	Acres	800	2.5	2,000	25.5	20,400	28.0	22,400
Revegetate *	Acres	175	2.5	440	25.5	4,460	28.0	4,900
Subtotal				2,690		27,410		30,100

**Prepared By  
Utah State Division of Oil, Gas and Mining  
May 22, 1989**

TOTAL RECLAMATION COST (1994 Dollars) \$ 2,000,000

Notes:

(a) The solution for the topsoil deficiency has not been determined.

(b) The salvage value exceeds removal cost. A bid was provided.

# Reclamation Estimate for JUMBO MINING COMPANY M/027/007

Prepared By  
Utah State Division of Oil, Gas and Mining  
May 22, 1989  
(Continued)

## Cost Parameters Used

621B Scraper (O&O)	150	\$/hour
Production	240	Cubic Yards/hour
D-8 Dozer (O&O)	160	\$/hour
Production	300	LCY/hour
Speed w/ripper	1	mph
Labor Only	24	\$/hour
Trash Removal	100	\$/acre
Farm Tractor (O&O)	67	\$/hour
Speed	4	mph
Width of Pass	6	feet

Revegetation Cost per Acre	Quantity	Unit	\$/Unit	Total Cost (\$)
Bare Costs				
Seed Mix	19	Pounds	7.37	140
Application Costs				
Seed Mix (broadcast by hand)	0.5	Hours	24	12
Scarify (tractor with chain)	0.3	Hours	67	23
Subtotal				35
Total Revegetation Cost per Acre				175

# Reclamation Estimate for JUMBO MINING COMPANY M/027/007

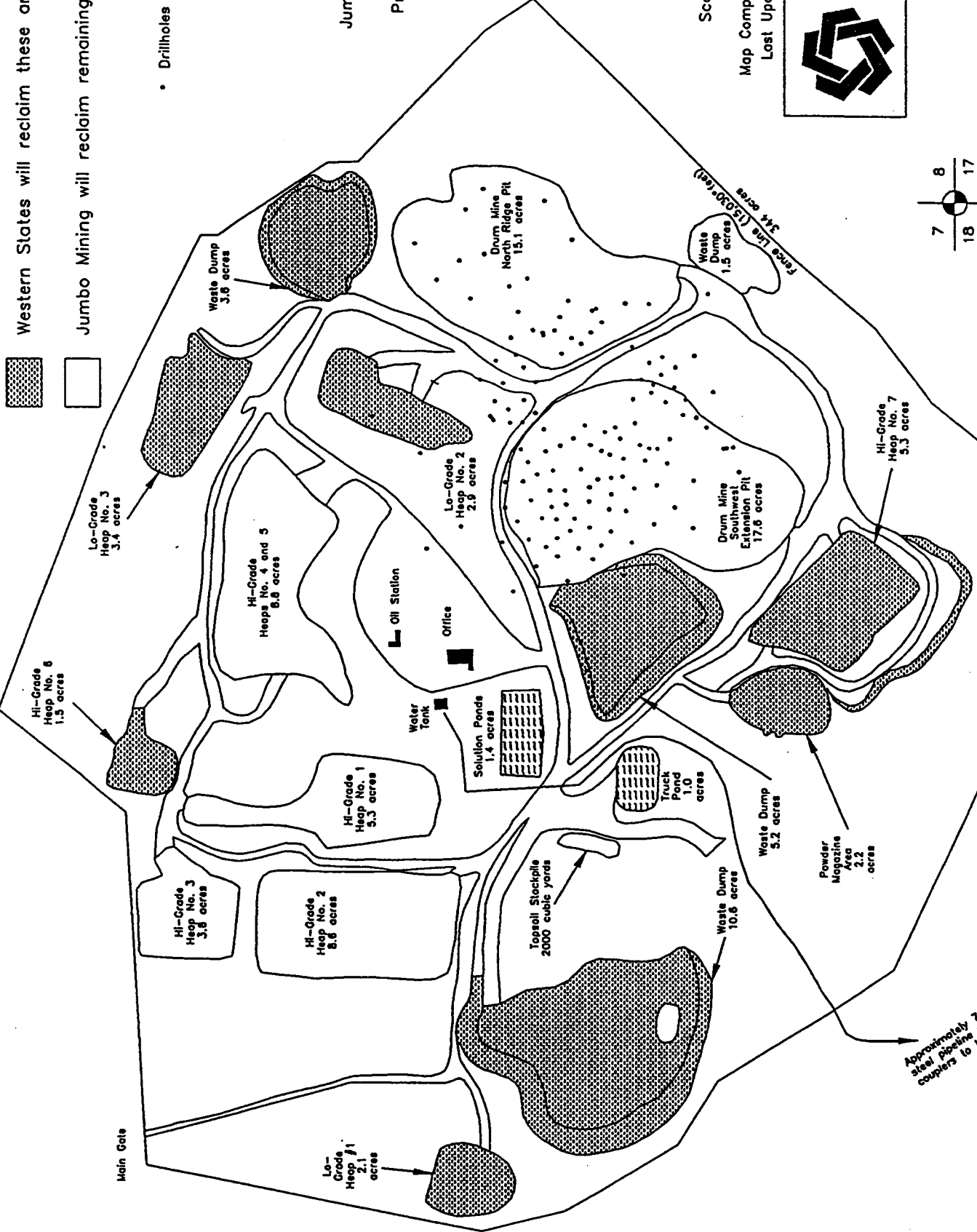
Prepared By  
Utah State Division of Oil, Gas and Mining  
November 25, 1988 Revised 6-13-89

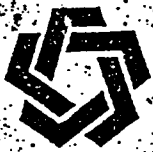
Description	Quantity	Unit	\$/Unit	Total Cost (\$)
<b>Alto Pit Reclamation</b>				
Remove Trash	3.8	Acres	100	380
Construct Berm on Highwall	450	Linear Feet	4.70	2,120
Plug Drill Holes	20	Each	100	2,000
Rip Roads	900	Linear Feet	0.60	540
Grade for Uniformity	2.9	Acres	430	1,250
Revegetate *	2.9	Acres	175	510
				-----
Subtotal				6,800
<b>Keystone Test Pit Reclamation</b>				
Remove Trash	0.9	Acres	100	90
Plug Drill Holes	7	Each	100	700
Rip Roads	400	Linear Feet	0.60	240
Grade for Uniformity	0.5	Acres	430	220
Revegetate *	0.5	Acres	175	90
				-----
Subtotal				1,340
<b>Monarch Test Pit Reclamation</b>				
Remove Trash	3.7	Acres	100	370
Plug Drill Holes	5	Each	100	500
Rip Roads	3,500	Linear Feet	0.60	2,100
Grade for Uniformity	3.0	Acres	430	1,290
Revegetate *	3.0	Acres	175	530
				-----
Subtotal				4,790
<b>Ibex Decline Reclamation</b>				
Remove Trash	0.5	Acres	100	50
Plug Drill Holes	5	Each	100	500
Construct Seal 100' Inside Portal		Lump Sum		1,000
Backfill Portal	400	Cubic Yards	0.60	240
Revegetate *	0.5	Acres	175	90
				-----
Subtotal				1,880
				=====
Totals				14,810
Add Contingency (10%)				1,480
				-----
TOTAL RECLAMATION COST (1988 Dollars)				16,290
TOTAL RECLAMATION COST (1989 Dollars) @ 2.3% Annual Inflation				17,000
TOTAL RECLAMATION COST (1994 Dollars) @ 1.93% Annual Inflation				19,000

# APPENDIX - A

Western States will reclaim these areas (41.8 acres).

Jumbo Mining will reclaim remaining areas (83.9 acres).





STATE OF UTAH  
NATURAL RESOURCES  
Oil, Gas & Mining

Scott M. Matheson, Governor  
Temple A. Reynolds, Executive Director  
Dr. G. A. (Jim) Shirazi, Division Director

241 State Office Building • Salt Lake City, UT 84114 • 801-533-5771

November 28, 1983

Mr. Robert Roggenthen, Project Manager  
Western States Mineral Corporation  
4975 Van Gordon Street  
Wheat Ridge, Colorado 80033

RE: Final Approval  
Drum Mine  
ACT/027/007  
Millard County, Utah

Dear Mr. Roggenthen:

This letter is to notify you that the surety bond submitted by Western States Mineral Corporation for the Drum Mine project has been approved by the Board of Oil, Gas and Mining. A copy of the fully executed bond will be forwarded under separate cover. Western States Mineral Corporation has now satisfied all requirements of the Utah Mined Land Reclamation Act. Therefore, the Division of Oil, Gas and Mining hereby issues final approval for this operation.

Please be advised of the requirements of Rule M-8 which provide for the submission of an Annual Operations and Progress Report (MR Form 3), a copy of which is enclosed.

Thank you for your continued cooperation during the permitting process. Should you have any questions, please call.

Sincerely,

JAMES W. SMITH, JR.  
COORDINATOR OF MINED  
LAND DEVELOPMENT

JWS/re

Enclosure

cc: D. Darby, DOGM  
Birrell Hirschi, BLM, Richfield, Utah





STATE OF UTAH  
NATURAL RESOURCES  
Oil, Gas & Mining

4241 State Office Building • Salt Lake City, UT 84114 • 801-533-5771


Scott M. Maines  
ample A. Reynolds, Executive Director  
Dr. G. A. (Jim) Shirazi, Division Director

\* M E M O R A N D U M \*

TO: Jim Smith  
FROM: David W. Darby  
SUBJECT: Information concerning the  
status of Western States Minerals,  
Drum Mine Project ACT/027/007  
DATE: November 14, 1983

Approved by Bo  
11-17-83  
form & amt. surety  
JWS

1. The Mine Plan has been reviewed by the technical staff and determined complete.
2. A surety bond has been submitted by Western States Minerals in the amount of \$117,000, a little over the estimated reclamation cost for the life of the mine.
3. An Order to Show Cause was sent to the Millard County Chronicle; a local newspaper and the Salt Lake Tribune and Deseret News; both Salt Lake City newspapers on October 3, 1983. The comment period started October 7, 1983 and ended November 5, 1983. No adverse or aggri comments have been received.
4. The Executive Summary has been completed and distributed to the Board Members.
5. It should be recommended to the Board of Oil, Gas & Mining that the surety bond be accepted and mining be allowed.

DAVID DARBY 

DD/jvb



## EXECUTIVE SUMMARY

Mine Name: Drum Mine  
Operator: Western States Minerals Corp.  
4975 Van Gordon Street  
Wheat Ridge, CO 80033  
Telephone: (303) 425-7042  
Contact Person: Bob Roggenthen  
Life of Mine: 26 months  
Legal Description: Section 7, Township 15 South, Range 10 West  
Mineral(s) to be Mined: Gold  
Mining Methods: Strip  
Acres to be Disturbed: 88 total  
Present Land Use: Mining, rangeland  
Postmining Land Use: Rangeland  
Variances from Reclamation Standards (Rule M-10) Granted: Highwall may be left at a 47% slope depending on stability analysis at cessation of mining.

I.D. No. ACT/027/007  
County: Millard  
New/Existing: New  
Mineral Ownership: Western States  
Surface Ownership: Federal (BLM)  
Lease No.(s): None  
Permit Term: 26 months

### Soils and Geology:

Soil Description: Shallow rocky surface horizon weathered from limestone under arid conditions.  
pH: 7.5-8 surface horizon  
Special Handling Problems: None  
Geology Description: Basin and range structural features. Mine is located in limestone matrix on edge of quartz latite intrusion.

### Hydrology:

Ground Water Description: None encountered, none to be affected.  
Surface Water Description: Ephemeral stream channels characteristic of the area, diversion, culverts and berms used to direct runoff and provide against water diminution.  
Water Monitoring Plan: None; no water will be discharged.

### Ecology:

Vegetation Type(s); Dominant Species: Rabbitbrush, black sagebrush, shadscale, Mormon tea, viscid rabbitbrush, juniper and various grasses.  
Percent Surrounding Vegetative Cover: Perennial shrubs and grasses--24% cover; annuals--10-28% cover; perennial grass--2.4-3.3% cover; junipers--3.5 trees/acre.  
Wildlife Concerns: None  
Surface Facilities: None, permanent

Mining and Reclamation Plan Summary: See attachment.

### Surety:

Amount: \$116,771.00 (see attached estimate)  
Form: Insurance Bond  
Renewable Term: Life of Mine (26 months)



#### DURING OPERATIONS:

1. A total of some eighty-eight (88) acres will be disturbed. Prior to mining, soil material will be removed and stockpiled, stabilized and seeded for reclamation purposes upon termination of operations.
2. Contemporaneous reclamation/test plots will be conducted using a BLM/DOGM approved seed mix. Areas to be reclaimed will be fertilized as per the results of soil testing. The seedbed will be disked prior to drill seeding. A transect will be conducted annually to monitor success of reclamation treatments. Additional treatments will be utilized, should this prove necessary.
3. Signs, berms and fencing will be provided to minimize safety hazard to the public, domestic animals and wildlife.
4. Surface diversions will be emplaced to prevent disturbed runoff from leaving the mining site, whereas undisturbed runoff will be directed around the facilities into natural drainage channels.
5. Potable water will be pumped to the mine site from a well drilled on public lands. The necessary water rights have been appropriated via a lease agreement on file in the office of the County Recorder of Millard County, Utah.
6. The processing facility will operate on the property utilizing a cyanide leach process. Fencing, liners, berms and diversions will be utilized to protect against environmental degradation.
7. The operator will provide a surety bond to cover the estimated reclamation costs to be held by the Utah Division of Oil, Gas and Mining.

#### AFTER OPERATIONS:

1. All buildings, structures and extraneous debris will be removed from the site.
2. Final grading will be done to conform to the existing terrain. Slopes will be contour terraced. In cases where this is not safe or practical, the Division may approve highwalls to be left. Any remnant highwalls will blend in with the existing terrain. Roads will be scarified, fertilized, drill seeded and imprinted to allow for revegetation. If a highwall is left, a security fence will be installed on top of the slope to ensure protection to the public, domestic animals and wildlife.
3. All disturbed areas left upon the cessation of mining activities will be topsoiled and revegetated utilizing methods proven successful in contemporaneous reclamation/test plots. Fences other than used for highwalls will remain in place during monitoring until bond retrieval is achieved to preclude adverse grazing impacts.
4. Runoff water diversions will be removed.
5. The site will be monitored to assure that adequate revegetation ensues to allow the approved post mining land use.

BOND ES VTE

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING  
4241 State Office Building  
Salt Lake City, Utah 84114

FR. ON	ACRES	COST/ACRE	CUBIC YARDS	COST/CY	TOTAL
--------	-------	-----------	-------------	---------	-------

Removal of structures and equipment

700

1. Electrical equipment-- mobile generator - 2 poles

- \$500

2. Major mobile equipment - generator

- \$200

3. Major stationary equipment - 2 poles

5,000

4. Service mill and office - One temporary office building and shop.  
60 hrs. @ \$50.00/hr. = 3000  
Strip plant and lab - 40 hrs @ \$50.00/hr. = 2000

Final cleanup - \$250 (trash buried daily in dump)

Removal of trash and extraneous debris - Final cleanup - \$250 (trash buried daily in dump)  
contaminants (oil, etc.) hauled out periodically as needed.

Regrading and recounting of waste rock and waste disposal sites, tailings and sediment ponds. Diversions and areas of critical grade.

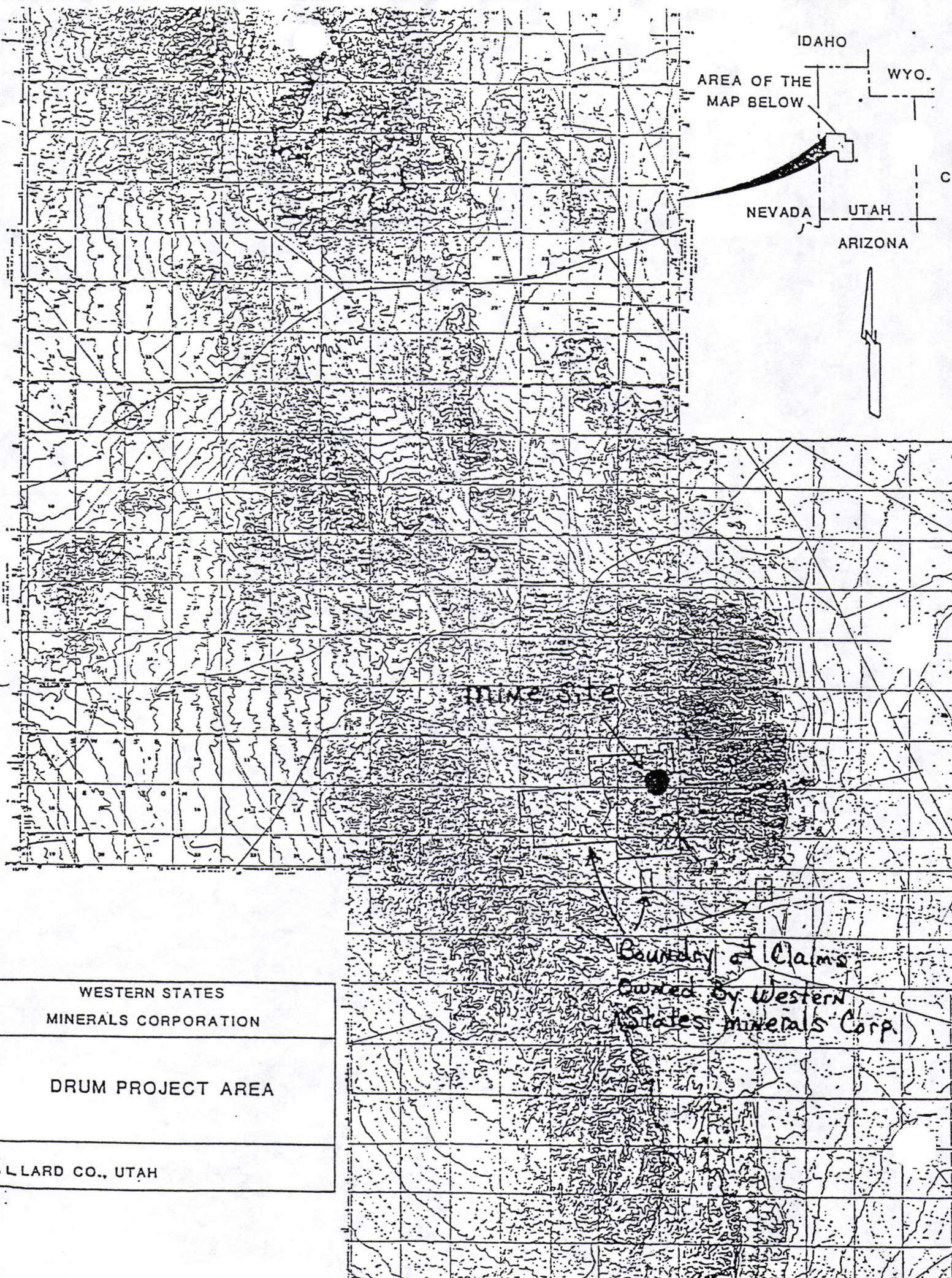
1. Earthwork to final grade - heap leach pads - 7 days = \$6,250 (D-9 Cat)  
mine and waste dump - 3 days = \$2,680  
\$9,930 (final)

9,930

OPERATION	ACRES	COST/ACRE	CUBIC YARDS	COST/CY	TOTAL
2. Topsoil replacement					
a. Procurement (if necessary)					
b. Respreading	29 ac.ft.		46,786	\$1.00	\$46.6
3. Stabilization					
a. Reseeding	45 acres	\$400-			\$18,000
b. Fertilization					
c. Mulching	45 acres	\$50			2,250
d. Irrigation					
4. Safety					
1. Erection of portal coverings and fences	Fencing modification and installation 3500 feet @ \$2.40/foot				8,40'
2. Plugging of boreholes and exploratory openings	---				
3. Removal of hazardous materials	---				
4. Elimination of highwalls.	Fencing-8 foot high x 800' @ \$15.63/ft.				12,500

ACTION	ACRES	COST/ACRE	CUBIC YARDS	COST/CY	TOTAL
Foundation elimination and transportation corridor reclamation	---				
1. Burial and/or break-up	---				
Removal	---				
Monitoring		3 times @ \$780			2,340
1. Continuing or periodic monitoring sampling and testing deemed necessary					
Site specific variations from aesthetic costs					
Contingency and contractual costs					
Inflation factor					116,000
TOTAL				Subtotal	106,156
					+10%





IDAHO

WYO.

AREA OF THE  
MAP BELOW

NEVADA

UTAH

ARIZONA

mine site

Boundary of Claims  
owned by Western  
States Minerals Corp.

WESTERN STATES  
MINERALS CORPORATION

DRUM PROJECT AREA

MILLARD CO., UTAH



## A S S I G N M E N T

As consideration for the issuance the Certificate of the State Treasurer, I, Edwin B. King, hereby sell, assign and transfer unto the Utah State Treasurer all of my interest in the following described securities delivered herewith:

XXX

The interest hereby assigned shall be held by the State Treasurer for benefit of the Utah Department of Natural Resources, Division of Oil, Gas, & Mining and the U.S. Department of the Interior, Bureau of Land Management to satisfy any claim for land reclamation upon cessation of mining on the property described as "Drum Mine" (permit number M/027/007), operated by Jumbo Mining Company. Any forfeiture of such surety shall comply with UCA 40-8-16 et seq.

It is understood and agreed that this Assignment will be released by the State Treasurer only upon the written request of the Division of Oil, Gas, and Mining upon satisfaction of the requirements described in Section 40-8-12.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

Title: \_\_\_\_\_

Subscribed and sworn to before me this \_\_\_\_ day of \_\_\_\_\_, 19\_\_.

My Commission Expires:

\_\_\_\_\_, 19\_\_

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING  
355 West North Temple  
3 Triad Center, Suite 350  
Salt Lake City, Utah 84180-1203  
(801) 538-5340

RECLAMATION CONTRACT

---oo0oo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.) M/027/007  
(Mineral Mined) Gold

"MINE LOCATION":

(Name of Mine)	<u>Drum Mine</u>
(Description)	<u>Drum Mountain Project</u>
	<u>Millard &amp; Juab Counties, Utah</u>
	_____

"DISTURBED AREA":

(Disturbed Acres)	<u>Approx. 126 Acres</u>	<u>Drum Mine *(1)</u>
(Legal Description)	<u>Exhibit A</u>	

"OPERATOR":

(Company or Name)	<u>Jumbo Mining Company</u>
(Address)	<u>6305 Fern Spring Cove</u>
	<u>Austin, Texas</u>
	<u>78730</u>
(Phone No.)	<u>(512) 346-4537</u>

\*(1) plus approximately 11 acres for Drum Mountain Project permit amendment

"OPERATOR'S REGISTERED AGENT":

(Name)

(Address)

(Phone No.)

Prentice Hall

Corporate Services

P O Box 102670

Atlanta, Georgia 30368-0670

800-221-0770

"OPERATOR'S OFFICER(S)":

E. B. King

Janet King

"SURETY":

(Form of Surety - Exhibit B)

U. S. Treasury Bills

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Irving Trust (New York) - to hold securities  
as custodial agent for Utah State Treasurer

"SURETY AMOUNT":

(Escalated Dollars)

\$162,000

"ESCALATION YEAR"

1994

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

EXHIBITS:

A "DISTURBED AREA":

B "SURETY":

Revision Dates:



This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Operator and the Board.

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/027/007 which has been approved by the Division under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim the Disturbed Area in accordance with Operator's approved Reclamation Plan and Operator is obligated to provide surety in form and amount approved by the Board, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Board and the Operator agree as follows:

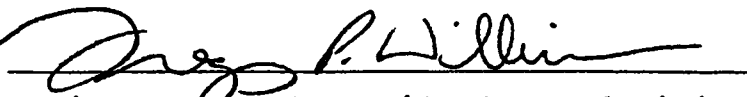
1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the Notice of Intention, and the Reclamation Plan.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Board, which surety is in the form of the surety attached hereto as Exhibit B and made a part hereof. The surety shall remain in full force and effect according to its terms unless modified by the Board in writing.
3. Operator agrees to pay public liability and property damage claims resulting from mining as determined by the Board or the Division, to the extent provided in the Act.

4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, and the Reclamation Plan.
5. The Operators liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention and the Reclamation Plan.
6. Operator agrees to indemnify and hold harmless the State, Board and Division from any claim, demand, liability, cost charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents, and employees, or contractor to comply with this Contract.
7. Operator may, at any time, submit a request to the Board to substitute surety. The Board, in its sole judgment and discretion, may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
8. This Contract shall be governed and construed in accordance with the laws of the State.
9. If Operator shall default in the performance of the obligations heretofore, Operator agrees to pay all costs and expenses, including attorneys fees and costs generated by the Division and/or the Board in the enforcement of this Contract.

10. Any breach of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Division, or Board, as appropriate, may revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety, or take such other action as is authorized by law.
11. In the event of forfeiture of the Surety, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this contract. Any excess monies resulting from forfeiture of the Surety, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
12. This Contract represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
13. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

SO AGREED this 4<sup>th</sup> day of August, 1989.

APPROVED AS TO FORM AND AMOUNT OF SURETY:

By   
Chairman, Board of Oil, Gas and Mining

DIVISION OF OIL, GAS AND MINING:

By

Director

Dianne R. Nielson

Date

8/4/89

STATE OF

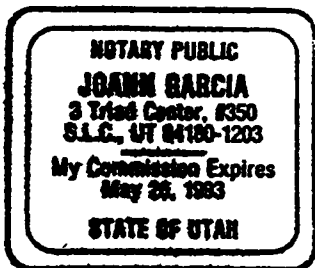
Utah

COUNTY OF

Salt Lake

SS:

On the 4th day of August, 19 89, personally appeared before me, who being by me duly sworn did say that he/she, the said Dianne R. Nielson is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he/she duly acknowledged to me that he/she executed the foregoing document by authority of law on behalf of the State of Utah.



Joann Garcia

Notary Public

Residing at:

S.L.C., UT

5/26/93

My Commission Expires:

OPERATOR:

By E. B. King President

Corporate Officer - Position

July 27, 1989

Date

STATE OF UTAH)

) ss.

COUNTY OF SALT LAKE)

On the 27th day of July, 1989, personally appeared before me E. B. King who being by me duly sworn did say that he/she, the said E. B. King is the President of Jumbo Mining Company and duly acknowledged that said instrument was signed on behalf of said company by authority of its bylaws or a resolution of its board of directors and said E. B. King duly acknowledged to me that said company executed the same.

Joann Garcia  
Notary Public  
Residing at: SLC, Utah

NOTARY PUBLIC  
JOANN GARCIA  
Triad Center, #350  
S.L.C., UT 84108-1203  
My Commission Expires  
May 28, 1993  
STATE OF UTAH

5/26/93

My Commission Expires:



INSTITUTION:

\_\_\_\_\_  
Surety (Company)

\_\_\_\_\_  
Company Officer - Position

\_\_\_\_\_  
Date

STATE OF \_\_\_\_\_ ) ss:  
\_\_\_\_\_ )

COUNTY OF \_\_\_\_\_ )

On the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, personally  
appeared before me \_\_\_\_\_ who being by me  
duly sworn did say that he/she, the said \_\_\_\_\_ is  
the \_\_\_\_\_ of \_\_\_\_\_  
and duly acknowledged that said instrument was signed on behalf of  
said company by authority of its bylaws or a resolution of its board  
of directors and said \_\_\_\_\_ duly acknowledged to  
me that said company executed the same.

\_\_\_\_\_  
Notary Public

Residing at: \_\_\_\_\_

\_\_\_\_\_  
My Commission Expires:

NOTE: An Affidavit of Qualification must be completed and  
attached to this form for each authorized agent or officer. Where  
one signs by virtue of Power of Attorney for a company, such Power  
of Attorney must be filed with this Contract.

**ATTACHMENT**

**EXHIBIT - A**

**RECLAMATION CONTRACT, FORM MR-RC**

**DRUM MINE & DRUM MOUNTAIN PROJECT PERMIT AMENDMENT**

**JUMBO MINING COMPANY**

**JULY 26, 1989**

**Legal Descriptions of Disturbed Areas:**

**DRUM MINE** - portions of Section 7, Township 15 South, Range 10 West, Millard County, Utah, SLBM.

**DRUM MOUNTAIN PROJECT AMENDMENT** - portions of Sections: 35 and 36, Township 14 South, Range 11 West, Sections 6, 7 & 8, Township 15 South, Range 10 West, and Section 1, Township 15 South, Range 11 West, Juab and Millard Counties, Utah, SLBM.

dwh  
MN2/39

PLEDGE PLAN  
for  
Surety Policy - Minerals Program

STATE OF UTAH  
Department of Natural Resources  
Division of Oil, Gas and Mining

and

U. S. Department of Interior  
Bureau of Land Management

Pledgor: Jumbo Mining Company

Depository: State of Utah, Department of the Treasury

Security

Selection: Texas Commerce Bank- Austin; Mr. Randy Robinson; telephone  
512-479-2864.

Securities: U. S. Treasury bills, \$176,000

Operational

- Procedure:
1. Texas Commerce Bank delivers securities as directed by the State of Utah, registered in the names of the State of Utah, Division of Oil, Gas and Mining and the Bureau of Land Management, to the State Treasurer.
  2. The Treasurer will issue a certificate to the Division of Oil, Gas and Mining stating that they have received them as pledge from Jumbo Mining Company
  3. Treasury bills will be in the possession of the State Treasurer.
  4. Prior to maturity Texas Commerce Bank will send a request to the Division of Oil, Gas and Mining to pledge a new security and release existing security in a simultaneous transaction.
  5. Oil, gas and mining notifies the State Treasurer's office of their approval.
  6. State Treasurer notifies Texas Commerce Bank of the approval.
  7. Texas Commerce Bank buys new security and delivers to the State Treasurer for the benefit of Oil, Gas and Mining vs. the money they would receive from maturing security. The State Treasurer accepts Texas Commerce Bank's delivery notice and monies are transferred through the wire transfer system. The Treasurer will wire excess funds to Jumbo Mining Company.

EDWARD W. CLYDE  
ELLIOTT LEE PRATT  
ROONEY G. SNOW  
STEVEN E. CLYDE  
THEODORE BOYER, JR.  
EDWIN C. BARNES  
GARY L. PAXTON  
L. MARK FERRE  
NEIL A. KAPLAN\*  
JOHN W. ANDERSON  
D. BRENT ROSE  
JAMES L. WARLAUMONT  
H. MIFFLIN WILLIAMS III  
STEPHEN B. DOXEY  
ANNELI R. SMITH

\*ADMITTED IN WASHINGTON, D.C.

## CLYDE, PRATT & SNOW

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

200 AMERICAN SAVINGS PLAZA  
77 WEST SECOND SOUTH  
SALT LAKE CITY, UTAH 84101

*Completed  
DOGM  
Transfer Form  
w/conditions  
attached and the  
revised  
disturbed  
area  
map.*  
PHONE 322-2516  
AREA CODE 801  
TELECOPIER  
(801) 322-2516 EXT 56  
FILE NO.  
*Secy.  
Director  
also  
8/4/8*

July 11, 1989

**RECEIVED**  
JUL 11 1989

DIVISION OF  
OIL, GAS & MINING

Department of Natural Resources  
Division of Oil, Gas and Mining  
355 West North Temple  
3 Triad Center, Suite 350  
Salt Lake City, Utah 84180-1203

RE: Jumbo Mining - Drum Mine Transfer of Permit

Gentlemen:

Enclosed please find the Transfer of Notice of Intention Large Mining Operations form MR-TRL, which has been executed by the transferor, Western States Minerals Corporation, and the transferee, Jumbo Mining Company.

I assume this will reach you in time to place this transfer request on the agenda for the July 27 meeting of the board. Should you have any questions regarding this, please do not hesitate to contact me.

Sincerely,

CLYDE, PRATT & SNOW, P.C.

*Steven E. Clyde*  
Steven E. Clyde

SECjl  
Enclosure  
cc: Ed King

# MORRISON & FOERSTER

## ATTORNEYS AT LAW

5200 REPUBLIC PLAZA  
370 SEVENTEENTH STREET  
DENVER, COLORADO 80202-5638  
TELEPHONE (303) 592-1500  
FACSIMILE (303) 592-1510

3-05  
Main file (Drew)  
CL: W. Hebbey  
LPB  
T. Mitchell

M/027/007

PLEASE USE BLACK INK PEN TO COMPLETE THIS FORM

### FACSIMILE FORM AND COVER SHEET

TO:

Name

Morrison &amp; Foerster Office

☐ Brussels☐ Hong Kong☐ London☐ Tokyo☐ Los Angeles☐ New York☐ Orange County☐ Palo Alto☐ Sacramento☐ San Francisco☐ Seattle☐ Walnut Creek☐ Washington, DCName Lowell BraxtonUtah Division of Oil, Gas & MiningFax Number 801 359-3940Main or Contracting Number 801 538-5340Preparer of this slip has confirmed that fax number given is correct 4315

FROM:

Name Lisa BainWe are transmitting a total of 3 pages including this cover letterDate 4-16-93Time 2:45

IF YOU DO NOT RECEIVE ALL PAGES, PLEASE CALL THE NUMBER AS SOON  
POSSIBLE AT 303-592-1500

If confidential information is sent, indicate name and telephone number of person who  
would be contacted to receive this transmission.

Name \_\_\_\_\_ Phone (\_\_\_\_\_) \_\_\_\_\_

This facsimile contains confidential information which may also be privileged. If the  
addressee named above is authorized to receive for the addressee, you may not be able to  
if it will have legal consequences. Please advise Morrison & Foerster immediately, if  
and return a copy of this cover sheet to the Denver Office. Telephone number, fax number  
indicated above.

Comments \_\_\_\_\_



## MORRISON &amp; FOERSTER

SAN FRANCISCO  
LOS ANGELES  
SACRAMENTO  
ORANGE COUNTY  
PALO ALTO  
WALNUT CREEK  
SEATTLE

ATTORNEYS AT LAW  
5200 REPUBLIC PLAZA  
370 17TH STREET  
DENVER, COLORADO 80202-3638  
TELEPHONE (303) 592-1500  
TELEFACSIMILE (303) 592-1510

NEW YORK  
WASHINGTON, D.C.  
LONDON  
BRUSSELS  
HONG KONG  
TOKYO

DIRECT DIAL NUMBER  
(303) 592-2265

April 16, 1993

## VIA FACSIMILE

Mr. Lowell Braxton  
Associate Director for Mining  
Utah Division of Oil, Gas and Mining  
355 West North Temple  
3 Triad Center, Suite 350  
Salt Lake City, Utah 84180

Re: Drum Mine

Dear Mr. Braxton:

Since our letter to you of March 15, 1993, our client, Western States Minerals Corporation ("WSMC"), has become increasingly concerned that Asoma (Utah), Inc., the owner of the Drum Mine in Millard County, Utah, may have insufficient resources with which to bond its operations at the Drum Mine. Specifically, though WSMC will almost certainly be entitled to release of its bond, upon conclusion of the Colorado litigation now pending between WSMC and Asoma, WSMC may find some difficulty obtaining a release of its bond if Asoma is then unable to replace WSMC's bond with adequate surety of its own.

Under any possible outcome of the litigation pending between WSMC and Asoma in the Jefferson County, Colorado District Court, Asoma will be required to accept WSMC's assignment of all permits for the Drum Mine operation. Asoma now owns the Drum Mine property. The Colorado court will either order WSMC to assign all permits to Asoma but require WSMC to perform (or pay for) the permit reclamation obligations, or the court will require WSMC to assign all permits to Asoma and have Asoma perform (or pay for) the permit reclamation obligations.

WSMC understands DOGM's reluctance to release WSMC's bond on the Drum Mine until the question of the responsibility for reclamation is finally resolved by the Colorado court. However, WSMC is concerned that Asoma will be required by the court to accept transfer of all permits

## MORRISON &amp; FOERSTER

Mr. Lowell Braxton  
April 16, 1993  
Page Two

on the Drum Mine, together with all reclamation responsibilities, and then be unable to bond that reclamation.

We have all seen in Colorado and elsewhere the problems created by insufficient reclamation bonding. WSMC respectfully requests that DOGM increase Asoma's reclamation bond at the Drum Mine to an amount sufficient to reclaim the entire mine while leaving WSMC's current bond in place until the conclusion of the litigation. At the conclusion of the litigation, WSMC's reclamation responsibilities will either be discharged by the Colorado court, in which case DOGM can release WSMC's bond and still have Asoma's bond in place, or WSMC will be required to undertake some reclamation, in which case DOGM will have a sufficient bond from both WSMC and Asoma to fully cover both parties' reclamation responsibilities. We hope you will seriously consider WSMC's concerns.

Please don't hesitate to call me at 303/592-2265 if you have any questions on this request. Thank you very much.

Sincerely,



Stephen D. Alfors

SDA:smm

cc: Arden B. Morrow, WSMC  
Allan R. Cerny, WSMC  
Robert Engelke, Esq.  
Lee Foreman, Esq.



# State of Utah

DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

14

Michael O. Leavitt  
Governor

Ted Stewart  
Executive Director

James W. Carter  
Division Director

355 West North Temple  
3 Triad Center, Suite 350  
Salt Lake City, Utah 84180-1203  
801-538-5340  
801-359-3940 (Fax)  
801-538-5319 (TDD)

August 15, 1995

Mr. Allan R. Cerny  
Secretary  
Western States Minerals Corporation  
4975 Van Gordon Street  
Wheat Ridge, Colorado 80033

Re: Permit Transfer and Partial Surety Release Request, Jumbo Mining Company, Drum Mine, M/027/007, Millard County, Utah

Dear Mr. Cerny:

The Division has reviewed your recent letters dated July 25 and 31, 1995, wherein you demand that we take immediate action to force Jumbo Mining Company (JMC) to post the balance of the required reclamation surety for the Drum Mine site. This action would enable Western States Minerals Corporation (WSMC) to formally transfer their remaining portions of the Drum Mine property and the associated reclamation responsibilities to JMC, thereby allowing this Division and the Bureau of Land Management to release WSMC's \$264,080 surety bond.

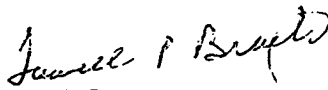
Please be assured that the Division shares your interest in seeing that JMC posts the required reclamation surety and finalizes the permit transfer process to include those portions of the Drum Mine site which are presently retained and bonded by WSMC. At this time, we are not prepared to invoke an enforcement action to force a resolution to this outstanding permitting concern. As outlined in my July 10, 1995 letter, JMC was granted conditional approval of their topsoil replacement proposal and asked to post a \$425,200 interim reclamation surety which would allow the remaining Drum Mine disturbed areas to be formally transferred from WSMC to JMC.

If JMC notifies us that they wish to revise their permit to exclude some of the proposed mine plan disturbances, then the Division will revise the reclamation surety estimate accordingly. However, until JMC posts sufficient surety with our office to cover the outstanding Drum Mine reclamation costs, and files the appropriately signed permit transfer documentation, we will not authorize the release or reduction of WSMC's reclamation surety bond. Concurrence of the Bureau of Land Management must also be received before we can reduce or release WSMC's surety.

Page 2  
Allan R. Cerny  
M/027/007  
August 15, 1995

Please contact me or D. Wayne Hedberg of the Minerals staff, should you have additional concerns or questions in this regard.

Sincerely,

  
Lowell P. Braxton  
Associate Director, Mining

jb  
cc: Rody Cox, Warm Springs RA  
Larry Mize, DWQ  
Tom Mitchell, AAG  
Minerals staff (route)  
M027007.rel



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt  
Governor

Ted Stewart  
Executive Director

James W. Carter  
Division Director

355 West North Temple  
3 Triad Center, Suite 350  
Salt Lake City, Utah 84180-1203  
801-538-5340  
801-359-3940 (Fax)  
801-538-5319 (TDD)

11/10/02/0057

I

October 27, 1995

Allan R. Cerny, Secretary  
Western States Minerals Corporation  
4975 Van Gordon Street  
Wheat Ridge, Colorado 80033

Re: Second Request for Reduction in Reclamation Surety Bond, Western States Minerals Corporation, Drum Mine, M/027/007, Millard County, Utah

Dear Mr. Cerny:

I am responding to your September 12, 1995 letter requesting an immediate reduction in Western States Minerals Corporation's (WSMC) surety for the Drum Mine from \$264,080 to \$124,700. At this time I cannot approve this request.

The basis for my denial is twofold:

First, your request is predicated on Division reclamation cost estimates that are not part of an approved Division agency action. Your letter references the Division's *preliminary* reclamation cost estimate that was based upon a standard escalation of WSMC's original (1983) reclamation surety estimate. This *preliminary* cost estimate also includes Jumbo Mining Company's (JMC) approved mine plan modifications to WSMC's original permit and more recently proposed permit revisions that have not yet been approved.

The interim cost estimate does not reflect the actual as-built conditions as they presently exist at the Drum Mine. It is only a preliminary ball-park estimate of projected reclamation costs, assuming that the mining operation was constructed according to WSMC's originally approved design plans. We have reason to believe that some of the mine facilities may not have been constructed in accordance with the original approved plan. In order to confirm that the interim cost estimate is indeed accurate, an in-depth comparison of the actual as-built conditions against the original approved design plans would need to be performed. Until this assessment can be conducted (or until JMC posts the adequate reclamation surety and permit transfer occurs), we are not prepared to release or reduce WSMC's \$264,080 surety.

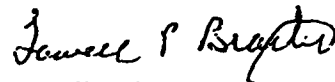
Second, the Bureau of Land Management (BLM) will not consent to a reduction in WSMC's reclamation surety until an updated operating and reclamation plan, contemplating reclamation of all regulated disturbances at the Drum Mine, has been approved by the BLM and appropriate state agencies and adequate replacement surety has been posted by JMC.



Page 2  
Allen R. Cerny  
October 27, 1995

While I appreciate your frustration with the pace at which the complete Drum Mine permit transfer has proceeded, I am concerned that environmental liabilities resulting from mining activities by both WSMC and JMC are not being responded to in the manner contemplated by the Utah Minerals Regulatory Program. Given the length of time that these disturbances have existed, and given the length of time the mine has been in an inactive/suspended status, I intend to review my programmatic options for a mine in this status, and notify all involved parties of DOGM's intent to move forward on issues that presently are dormant.

Sincerely,



Lowell P. Braxton  
Associate Director, Mining

jb  
cc: E. B. King, JMC  
Rex Rowley, BLM, Warm Springs RA  
J. Carter  
T. Mitchell  
M027007.scd